Objective VII: Determine whether or not the ILECs have discriminated between the separate Advanced Services affiliates and any other entity in the provision of procurement of goods, services, facilities and information or the establishment of standards.

1. Obtained a list of all equipment (including software), furniture, fixtures, services, facilities and customer network services information (e.g., loop makeup information and subscriber list information), excluding CPNI as defined in Section 222(f)(1) of the Communications Act of 1934, as amended, made available to each Advanced Services affiliate by the ILECs, excluding services and facilities provided pursuant to tariffs or Interconnection Agreements. For a sample of 25 items randomly selected, inquired and obtained copies of the Internet postings by the ILECs and noted that the unaffiliated entities were informed of the above-mentioned transactions through public disclosure at:

   http://www.sbc.com/public_affairs/regulatory_documents/affiliate_agreements

2. Obtained a list from the ILECs of all unaffiliated providers ("CLECs") of Advanced Services who purchased the same goods, services, facilities and customer network information (excluding CPNI and services purchased under Interconnection Agreements) from the ILECs as the Advanced Services affiliates during the Engagement Period. From the list, randomly selected 10 CLECs and randomly selected March 2001 for Nevada Bell, Pacific Bell, SNET and SWBT and July 2001 for Ameritech for testing. For selected months, obtained billing summaries from the ILECs for each of the selected CLECs and the Advanced Services affiliates. From the billing summaries, identified a total of 100 comparable USOCs purchased by both the CLECs and the Advanced Services affiliates and compared the rates, terms and conditions charged to each. Attachment A-7 documents differences noted in the rates charged to the CLECs and Advanced Services affiliates for comparable services selected.

3. Where Advanced Services orders should be placed by a separate Advanced Services affiliate as defined by the Merger Conditions (see Merger Conditions, Paragraphs 6a, 6b and 6d), inquired and documented that the Advanced Services affiliates continued to use the same interfaces for placing Advanced Services orders with the ILECs that are made available to unaffiliated providers of Advanced Services. Noted no changes to these interfaces since the last Engagement Period. Both ASI and AADS place orders with the ILECs through an EDI using CORBA protocol standards. Inquired and documented that the separate Advanced Services affiliates and unaffiliated providers of Advanced Services had access to the same customer-specific information for pre-ordering and ordering,

other than credit history, that is available to the ILECs, through the same interfaces that are made available to the ILECs.

[redacted]

1. Inquired and documented that the ILECs were reporting, for each state, the performance measurements for the Advanced Services affiliates as required by Paragraph 10 in the Merger Conditions. Noted by inquiry these measurements were reported on a separate basis from the CLEC information. The performance measures were posted on the CLEC web site at https://clec.sbc.com. Each CLEC is provided a user I.D. and password to enable them access to the aggregate performance measurements and individual CLEC performance measurements. In addition, the FCC is provided access to the web site in order to review the performance measures required under Paragraph 10 in the Merger Conditions. SBC represented that occasionally certain data was restated or prospectively modified.

   Obtained a list of the Advanced Services provided, by state, by the Advanced Services affiliates and the ILECs during the Engagement Period.

   ASI provided the following Advanced Services during the Engagement Period in the following states:

Table 4

Product	CA	NV	CT	TX	MO	OK	KS	AR
ADSL	YES	YES	YES	YES	YES	YES	YES	YES
Frame Relay	YES	YES	YES	YES	YES	YES	YES	YES
ATM	YES	YES	YES	YES	YES	YES	YES	YES
Native Lan +	YES	NO	YES	YES	YES	YES	YES	NO
Broadband Educational Video Service	NO	NO	NO	NO	YES	NO	YES	NO
Network Access Point	YES	NO	NO	NO	NO	NO	NO	NO
Switched Multimegabit Data Service	YES	NO	NO	NO	NO	NO	NO	NO
VPOP-DAS	YES	NO	NO	NO	YES	YES	YES	NO

AADS provided the following Advanced Services during the Engagement Period . in the following states:

Table 5

Product	IL	IN	MI	OH	WI
ADSL	YES	YES	YES	YES	YES
Frame Relay	YES	YES	YES	YES	YES
ATM	YES	YES	YES	YES	YES
Network Access Point	YES	YES	YES	YES	YES
Switched Multimegabit Data Service	YES	YES	YES	YES	YES

SBC represented that, except for embedded base frame and cell relay customers at SNET, the ILECs did not provide Advanced Services during the Engagement Period.

The Advanced Services affiliates did not provide any voice grade services in any state during the Engagement Period.

2. With respect to the measures identified in Procedure 1 above, obtained the data reported for the ILECs, the CLECs (aggregated without the affiliates) and the Advanced Services affiliates for each month and for each state. Compared and documented the results for those measurements where the CLEC results do not demonstrate parity or benchmark performance. For the measurements that did not demonstrate parity or benchmark performance for three or more consecutive months or for six or more months during the Engagement Period, documented in a matrix at Attachment A-8a the service intervals for the ILECs, the CLECs and the Advanced Services affiliates. Inquired and noted what action has been taken to provide parity or benchmark performance in the future at Attachment A-8b.

3. Obtained and documented, in Attachment A-9, the latest 272(e)(1) performance measurement data for the Engagement Period, by month, by state for California, Illinois, Kansas, Missouri, Texas and Wisconsin for the following service categories:

   - Service Category 1: Successful Completion According to Customer Desired Due Date, reported separately for DS0, DS1 and DS3.

- Service Category 2: Time from Bell Operating Company ("BOC") Promised Due Date to Circuit Being Placed in Service, reported separately for DS0, DS1 and DS3.
- Service Category 3: Time to Firm Order Confirmation, reported separately for DS0, DS1 and DS3.
- Service Category 5: Mean Time to Restore, reported separately for DS0, DS1 and DS3.
- Service Category 7: Mean Time to Clear Network Trouble, reported separately for DS0 and DS1.

The information reported in Attachment A-9 is shown in two categories: 1) SBC BOCs and affiliates, and 2) nonaffiliated telecommunications providers.

SBC represented that the following performance measurement results for 2001 were restated on May 23, 2002 to reflect the following changes made to the business rules:

- Service Categories 1 and 2: All states were changed to add "count missed function code ("MFC") I37" as met. The Ameritech States were changed to change "count A MFC" as met.
- Service Categories 5 and 7: All states removed the "no situation exists which requires further investigation and/or no trouble was detected" ("TOK") codes and "did not test trouble after dispatch out or dispatch in and/or customer requested dispatch and no SBC trouble was found and/or non-regulated customer premise wiring/cable maintained by SBC under a customer maintenance agreement and/or customer requests inspections" ("NTF/FOK") codes. Pacific Bell was changed to include data from nonchannelized circuits only.

[redacted]

1. Obtained the written agreements offered (i.e., signed agreements) by the ILECs to each Advanced Services affiliate (excluding Interconnection Agreements) during the Engagement Period. Based upon the written agreements obtained, prepared a list of services offered by the ILECs to the Advanced Services affiliates (excluding Interconnection Agreements) during the Engagement Period. Compared this list to the listing of services obtained in Objective I, Procedure 3. Determined that all affiliate agreement services listed in Objective I, Procedure 3 were offered through the written agreements obtained above.

2. Obtained a list of all agreements (e.g., written agreements, affiliate agreements, etc., excluding Interconnection Agreements) signed during the Engagement Period between the ILECs and the Advanced Services affiliates and between the ILECs and unaffiliated carriers, separately for each state. SBC has represented that B&C agreements and Broadband Services ("BBS") agreements are the types of agreements that meet the criteria of this procedure. For seven unaffiliated B&C agreements and three unaffiliated BBS agreements obtained, compared rates, terms and conditions to the B&C and BBS agreements of the Advanced Services affiliates and documented the following differences:

   B&C Agreements Comparison

   Noted that AADS did not have any B&C agreements with the ILECs. The following differences were noted between ASI's B&C agreement and B&C agreements of unaffiliated carriers.

   - One pricing difference was noted with the **Proprietary** and **Proprietary** B&C agreements. Both of these agreements included a charge of $2.50 per page for bill copies. ASI and the other five agreements compared did not include this charge, but all agreements included charges per bill for bill copies that compared without exception.

     SBC represented that the charge per page for bill copies was removed from the generic agreement because it was a redundant charge; a charge per bill for bill copies is also included in the generic agreement.

- The ASI agreement included an amendment that allows the ILECs to back bill charges greater than 90 days, signed February 7, 2002. This amendment was not included in the unaffiliated carrier agreements.

  SBC represented that the amendment to the ASI agreement to allow billing greater than 90 days old is also available to the unaffiliated carriers upon request. Noted that the language in the B&C agreement indicates that carrier may request in writing that the ILEC make an exception to the 90-day policy.

- The **Proprietary** agreement included wording that states: "Condition precedent to obligation to provide B&C services," and also included a letter pertaining to the condition as Exhibit H – **Proprietary** procedures. SBC represented that this clause and exhibit were added to address concerns SBC had with **Proprietary** representations regarding its relationship with SBC. This clause and exhibit were not included in the ASI agreement or any of the other unaffiliated carrier agreements.

BBS Agreements Comparison

Noted that the Advanced Services affiliates' BBS agreement is a twelve-state agreement signed by both ASI and AADS and all ILECs except Illinois Bell. The following differences were noted between the ASI/AADS BBS agreement and the BBS agreement of one unaffiliated carrier.

- Differences were noted in the following paragraphs of the **Proprietary** BBS agreement. SBC explained that the ASI agreement was made available to **Proprietary**, but SBC agreed to negotiate certain terms and conditions not included in the Advanced Services affiliate's agreement.

  - Paragraph 7.3 had a difference regarding when ILEC-owned facilities provided to **Proprietary** are dedicated to a single end user. The single end user has 45 days to designate a telecommunications service provider upon disconnection before **Proprietary** relinquishes control of the ILEC-owned facility. ASI's agreement does not provide for the 45-day wait after disconnection before relinquishing control of the ILEC-owned facility.
  - Paragraph 11.5 contained more explanatory language regarding making CLEC profile changes, how CLEC profile changes are not automatically applied to existing end user services and that standard charges apply for processing all change orders. The ASI agreement

contains less explicit language and does not include the reference that standard charges apply for processing all change orders.
  - Paragraph 13.7 included a table for acceptance testing charges that is not included in the ASI agreement.
  - Paragraph 14.1 refers to Appendix DSL and Appendix Pricing to the Interconnection Agreement between *Proprietary* and SBC. The ASI agreement does not include this reference.
  - Paragraphs 19.4 and 19.7 include billing dispute resolution procedures. These procedures are not included in the ASI agreement.
  - Paragraph 31.1 states that agreement will be in effect more than one year. ASI's agreement has a term of one year.

- In addition, SBC's file copy of the *Proprietary* BBS agreement had no pricing appendix attached. SBC represented that the omission of the pricing addendum was an oversight by SBC and it should have been included in the final agreement with *Proprietary*. SBC also represented that *Proprietary* would be billed at the generic rates, which are the same rates that are made available to Advanced Services affiliates and unaffiliated carriers.

3. Compared the rates, terms and conditions charged to each Advanced Services affiliate for access to UNEs to those charged to other Advanced Services providers as described below:

   a. Selected May and August 2001 randomly for testing. Obtained a listing of all UNE invoices from the ILECs to the Advanced Services affiliates for the selected months. Judgmentally selected and obtained one invoice from each month from each ILEC to each Advanced Services affiliate (16 total invoices for the Advanced Services affiliates).

   b. Obtained a listing of USOCs for UNEs billed by the ILECs to the Advanced Services affiliates. Obtained USOCs by ILEC and by state for each Advanced Services affiliate.

   c. Obtained a listing of other Advanced Services providers buying the same USOCs obtained in (b) above from the ILECs. Randomly selected three Advanced Services providers per ILEC.

   d. Obtained a copy of one invoice for each sampled month for each sampled Advanced Services provider. Compared the terms and conditions on these invoices to the terms and conditions on the Advanced Services affiliate

sampled invoices obtained in (a) above. Noted no differences.

e. Selected five (or all if less than five) comparable UNE USOCs and five (or all if less than five) comparable BBS USOCs from the Advanced Services affiliates' and other Advanced Services providers' invoices obtained in (a) and (c) above. Compared the rates charged for the selected USOCs.

f. Noted, in Attachment A-10, the following differences in the comparison performed in (e) above. SBC's explanations of the differences noted are also included in Attachment A-10.

4. For the invoices selected in Procedure 3 above, traced the amount invoiced for access to UNEs to each Advanced Services affiliate and noted that the amount invoiced was the amount recorded by the ILEC and paid by each Advanced Services affiliate. For this purpose, inspected the method of payment corresponding to the amount paid. Noted no differences.

1. For the Engagement Period, discussed with management of the Advanced Services affiliates and each ILEC the procedures to ensure all purchases of Advanced Services Equipment, including associated software, are recorded on the books of the Advanced Services affiliate, and documented such procedures as follows:

   Through inquiry, documented that, during the Engagement Period, ASI and AADS had project accounting systems in place that were designed to properly record the purchase of Advanced Services Equipment on the books of the Advanced Services affiliates. The project accounting system is driven by the initial designation of an ASI or AADS responsibility code ordered ("RCO") for all purchases or projects requested by ASI or AADS. The RCO must be assigned for all orders at the time the purchase or project is authorized. Once assigned, this unique RCO directs all incurred charges and costs to the Advanced Services affiliates' books.

   Purchasing of Advanced Services Equipment may also occur through SBC's purchasing card process or general procurement process. ASI and AADS employees' authority to order and/or approve purchases through these systems is restricted to ASI or AADS purchases. Controls are in place on ASI and AADS personnel limiting their access to only ASI and AADS account codes.

   a. From the fixed asset listing obtained in Objective I, Procedure 4c, randomly selected 100 purchases of Advanced Services Equipment by the Advanced Services affiliates. For the selected items, reviewed documentation that demonstrated that the Advanced Services affiliate purchased this equipment. For the selected items, noted the following:

      - For one item purchased by AADS, no documentation was provided.
      - For three items purchased by ASI, ASI's ownership could not be determined from the documentation provided.
      - For one item purchased by ASI and one item purchased by AADS, the amounts on the documentation provided did not agree to the listing of Advanced Services Equipment.

- For six items purchased by ASI and three items purchased by AADS, documentation supported the Advanced Services affiliate's ownership and indicated that the items were purchased from DataComm. SBC represented that these items were purchased by the Advanced Services affiliates from DataComm under a logistics management services contract. Obtained documentation that the Advanced Services affiliates were billed by DataComm and that the Advanced Services affiliates paid the billed amounts.
- For the remaining 85 items tested, documented that the Advanced Services affiliate originally purchased the items and noted that the items were not purchased from an ILEC.

b. Performed the following for each of the three ILECs: SWBT, Michigan Bell and Pacific Bell:

i. Inquired and documented, in Table 6 below, the Field Reporting Codes ("FRC") which would be used to record the following equipment types in the ILEC continuing property records: DSLAMs, spectrum splitters, packet switches, multiplexers, ATM switches, Frame Relay switches, modems and DACS frames.

Table 6

FRC Codes	**Description**
157C	Circuit Equipment-Digital Data Systems
257C	Circuit Equipment-Digital Loop Electronics
357C	Circuit Equipment-Other Digital Circuit Equip.
377C	Digital Electronic Switching
577C	Digital Electronic Switching-Pacific Bell

ii. Obtained a list of all central offices ("CO") and remote terminals ("RT") within the city limits of each of the following cities: San Antonio, Texas; Detroit, Michigan; and Los Angeles, California. From the list, randomly selected the following three central offices or remote terminals per city.

Table 7

City	Address	Type
San Antonio	14869 Santa Gertrudis	RT
	8050 Crestway	RT
	R5266 Stoneshire	RT
Detroit	2000 Bagley Street	RT
	9449 Grinnell	RT
	18601 Greenfield	RT
Los Angeles	615 N. Nash Street	RT
	380 World Way	RT
	5757 W. Century	RT

iii. For each selected CO/RT, obtained a list of all equipment purchased, or placed in service, during the Engagement Period.

iv. For each selected CO/RT, obtained a list of all equipment purchased or placed in service during the Engagement Period and reviewed field property records to determine how the equipment was used by the ILEC. Noted the following:

San Antonio
The list of equipment obtained for the 14869 Santa Gertrudis RT related to one project. This project installed additional ADSL line unit ("ADLU") cards due to continued residential development in the area.

The list of equipment obtained for the 8050 Crestway RT related to one project. This project transferred and replaced an existing DMS-Rural system with an SLC Series 5 system, due to the manufacturer of the DMS-Rural system no longer manufacturing replacement parts for the equipment.

The list of equipment obtained for the R5266 Stoneshire RT related to one project. This project added an FLM-150 OC-3 multiplexer to accommodate additional T1 lines.

Detroit
SBC represented that there was no equipment purchased or placed in service during the Engagement Period for any of the three remote terminals selected.

Los Angeles
SBC represented that there was no equipment purchased or placed in service during the Engagement Period for the 615 N. Nash and the 5757 W. Century RTs.

The equipment list obtained for the 380 World Way RT included plugs and all associated hardware and cable to provision an additional T3 line to meet future service order requirements.

c. Randomly selected the months of August 2001 and October 2001 and obtained ILEC expense detail for FRC codes and corresponding expense accounts to which Advanced Services Equipment could have been charged. The FRC codes included in the expense listings were the same as those listed in Table 6 above, except the "C" construction designation was replaced with "R" for repairs or "M" for maintenance. For a sample of 100 expense items selected by the Users, reviewed purchase orders, other purchase authorization documents, invoices or system-generated reports which provided descriptions of the nature of the expenses selected and noted the following:

- The documentation provided for nine items was not sufficiently descriptive to determine whether the items met the definition of Advanced Services Equipment.
- For the remaining 91 items tested, determined that the equipment purchased by the ILECs was not Advanced Services Equipment, and therefore should not be recorded by the Advanced Services affiliates.

2. Inquired and documented SBC's response that the ILECs did not transfer to the Advanced Services affiliates a facility that was deemed to be an unbundled network element under 47 U.S.C. Section 251(c)(3) during the Engagement Period.

3. SBC represented, on a state-by-state basis, that the Advanced Services affiliates received none of the services listed below from the ILECs or other affiliates during the Engagement Period. SBC also represented that each Advanced Services affiliate provided these services for itself during the Engagement Period.

   a. Determining where, when and how much Advanced Services Equipment needs to be deployed to meet forecasted customer demands, and ensuring equipment compatibility with interconnection services.

   b. Arranging for purchase of Advanced Services Equipment.

   c. Arranging and negotiating for collocation space, and arranging for any new Advanced Services Equipment to be delivered.

   d. Inventorying the Advanced Services Equipment deployed.

   e. Designing the customer's Advanced Service, including i) identification of Advanced Services network components, UNEs, telecommunications services and work activities necessary to provision the Advanced Service, ii) determination of the routing of the Advanced Service and location(s) of the Advanced Services network components and iii) creation of a work order.

   f. Assignment of the Advanced Services Equipment required.

4. Inquired and documented that during the Engagement Period, employees of Advanced Services affiliates were located in some of the same buildings as the employees of the ILECs. Obtained and inspected copies of training materials provided to all SBC employees. SBC represented that these training materials were made available to all ILEC and Advanced Services employees working in the same buildings and were presented during the Engagement Period in approximately 34 sessions in 23 different locations. Noted that the training materials addressed the requirements that employees of the Advanced Services affiliates must use only the same OSS, processes and procedures that are available to unaffiliated entities. In addition, the training materials included topics such as: nondiscriminatory treatment of the Advanced Services affiliate, arm's length transaction rules between the Advanced Services affiliates and the ILECs and information sharing between the ILECs and the Advanced Services affiliates. Noted that the training materials also addressed the requirement for ILEC employees to communicate with the Advanced Services affiliates in the same manner used to communicate with unaffiliated entities.

5. Obtained the policies and procedures followed by the ILECs when an ILEC customer calls to report trouble that may affect Advanced Services.

Inquired of ILEC management if, when and how trouble reports are transferred to the Advanced Services affiliates.

Based on information provided by the ILEC, noted that if a customer calls an ILEC to report trouble with Advanced Services and it is determined that the problem is a "data" only problem, the customer is instructed to contact their DSL service provider. The ILEC will provide the DSL service provider's phone number to the customer if the DSL service provider has applied for the "cold transfer" service; if not, the ILEC suggests the customer look at flyers, directories or monthly billings for the DSL service provider's phone number. Noted that ASI receives trouble reports via "cold transfers" from SWBT, Pacific Bell, Nevada Bell and SNET. From the information obtained, noted that "cold transfer" service is not offered by Ameritech.

If it is determined that the problem is a "voice" and "data" problem, the ILEC will inform the customer that they will fix the "voice" problem, and this will most likely correct the "data" problem as well. If after the "voice" problem is fixed, the "data" problem still exists, the ILEC will instruct the customer to contact their DSL service provider.

Noted through inquiry that such trouble report referral was available to unaffiliated Advanced Services providers on a nondiscriminatory basis by reviewing the generic interconnection agreement made available to all CLECs and checking the Accessible Letters posted on the CLEC Internet site at https://clec.sbc.com. The trouble report referral was made available to unaffiliated Advanced Services providers on October 5, 2000. Noted that the trouble reporting service provided by the ILECs to the Advanced Services affiliates was not made available by affiliate transactions that are posted on the Internet site, but rather were made available under interconnection agreements.

In addition, SWBT provided ASI with a service entitled "Single Point of Contact for Major Account Customer Support" for certain, specifically identified, major account customers. The service included SWBT receipt of customer trouble reports that affected Advanced Services. SWBT provided trouble reports to ASI by means of a toll-free telephone number maintained by ASI. The service was made available to ASI via an affiliate agreement effective October 9, 2000 and was posted to the Internet as notice of availability to unaffiliated carriers at:

http://www.sbc.com/PublicAffairs/PublicPolicy/Regulatory/affdocs/157-189-sch.doc

6. Inquired and documented SBC's response that the ILECs did not use an electronic system to transfer trouble reports to the Advanced Services affiliates during the Engagement Period.

7. Observed and obtained the policies and procedures followed by the ILEC when the customer contacting the ILEC is not a customer of the ILEC, but contacts the SBC ILEC to report a trouble affecting an Advanced Service. Documented that such policies and procedures included steps to (1) discover the identity of the Advanced Services provider; (2) refer the customer to the customer's Advanced Services provider, if known, for resolution of the trouble; and (3) prevent the ILEC from using the information obtained as a result of the transfer for any marketing or sales purpose.

8. Inquired and documented the following responses from SBC:

   a. ASI and AADS arranged for the performance of installation of Advanced Services Equipment during the Engagement Period by outside installation vendors. The installation phase included cabling, equipment installation, equipment testing and equipment turn-up.

      Pacific Bell, SNET and SWBT installed ASI-owned plug-ins, circuit packs and jumpers in Advanced Services Equipment for ASI in certain COs. Installation services were provided pursuant to the terms of affiliate agreements executed between ASI and the ILECs entitled "Operations, Installation and Maintenance ("OI&M") Services Associated with Collocated Equipment In Physical Collocation Space." These agreements are posted on the Internet at:

      http://www.sbc.com/public_affairs/regulatory_documents/affiliate_agreements

      ASI initiates all requests for OI&M services from the ILECs by contacting the ILEC's Local Operations Center ("LOC").

   b. During the Engagement Period, both ASI and AADS contracted with third-party vendors for connection of Advanced Services Equipment items in virtual collocation space.

      Prior to June 1, 2001, the ILECs would install a direct cabling connection between ASI's collocation arrangements via copper or fiber cable provided by

the ILECs. This service was provided pursuant to the ILECs' collocation process available to ASI and unaffiliated CLECs.

c. During the Engagement Period, both ASI and AADS contracted with third-party vendors for connection of Advanced Services Equipment items in physical collocation space.

   Prior to June 1, 2001, the ILECs would install a direct cabling connection between ASI's collocation arrangements via copper or fiber cable provided by the ILECs. This service was provided pursuant to the ILECs' collocation process available to ASI and unaffiliated CLECs.

d. During the Engagement Period, both ASI and AADS contracted with third-party vendors for connection of various network components and services utilized to provision the customers' Advanced Services. AADS also provided its own logical connections during the Engagement Period.

   The ILECs provided the service of making the connection between unbundled loops and xDSL equipment for ASI and AADS. The ILECs offered this service through Interconnection Agreements. ASI and AADS ordered ILEC installations through Local Service Requests ("LSRs") submitted to the ILECs for ordering unbundled loops used to provide xDSL services.

e. ASI and AADS tested physical and logical circuits during the Engagement Period. The physical circuit testing services were also provided by the ILECs under Interconnection Agreements.

f. ASI installed and tested, or arranged for vendor installation and testing of, customer premise equipment ("CPE") at customer premises during the Engagement Period. AADS arranged for installation and testing of CPE at customer premises by third-party vendors and DataComm during the Engagement Period.

Paragraphs 5a and 6 - SBC/Ameritech Merger Conditions - Separate Affiliate for Advanced Services

1. Documented, in Attachment A-11, the filing dates and approval dates for all required state certifications, tariffs, interconnection agreements and asset transfers for Advanced Services in the SBC/Ameritech service area through the Advanced Services affiliates.

2. For the Ameritech States, by state, reviewed the ILEC's Advanced Services USOC codes. Reviewed product level revenue reports for the Special Access Revenue Account 5083 for the Ameritech ILECs for the Engagement Period. Noted Advanced Services revenue totaling **Proprietary** that appeared in these reports for January 2001 through April 2001. SBC represented that the Advanced Services revenue that appeared on the books of the ILECs resulted from ordering and/or data processing errors and a few embedded-base ILEC accounts that were overlooked in the transfer of Advanced Services customers from the ILECs to AADS that occurred in 2000.

   a. Documented two USOC codes used for xDSL services, MB27Z and MB281, in all Ameritech States. Queried the Ameritech Customer Information System ("ACIS") for the month of November 2001, for all Ameritech States, to identify xDSL orders placed with the USOCs noted above. From the query results, noted no xDSL orders placed in November 2001.

   b. Documented, in Attachment A-12, the USOC codes used for non-xDSL Advanced Services. Queried the Carrier Access Billing System ("CABS") and ACIS for the month of November 2001, for all Ameritech States, to identify non-xDSL Advanced Services orders placed with the USOCs listed in Attachment A-12. From the query results, noted four customer account records for USOC UN9QX were included in the query results in November 2001. Additional documentation obtained indicated that these customer records were for orders placed prior to the Engagement Period.

3. For the SBC states, by state, reviewed the Advanced Services USOC codes and documented the following USOCs used for Advanced Services:

   - HFR, HFB and HR9 used for xDSL.
   - ZZOBX used for non-xDSL.

Obtained a listing of new activation orders for Advanced Services for the months of March 2001 and November 2001. Randomly selected 100 new activation orders from the listing obtained above and inspected the billing records or initial service order records of the ILEC and ASI to determine the provider of record. Noted that ASI was the provider of record on all orders selected.

Reviewed reports provided by SBC for Special Access Revenue Account 5083 for SWBT, Pacific Bell and Nevada Bell for the Engagement Period. Noted the following Advanced Services revenue appearing in this account:

- SWBT's report included Advanced Services revenue totaling **Proprietary** for the Engagement Period.
- Pacific Bell's report included Advanced Services revenue totaling **Proprietary** for the Engagement Period.
- Nevada Bell's report included Advanced Services revenue totaling **Proprietary** for the Engagement Period.

SBC represented that the Advanced Services revenue that appeared on the books of the ILECs resulted from ordering and/or data processing errors and a few embedded-base ILEC accounts that were overlooked in the transfer of Advanced Services customers from the ILECs to ASI that occurred in 2000.

The revenue accounts of SNET were not reviewed since SNET provided Advanced Services during the Engagement Period to grandfathered customers not transferred to ASI.

4. Obtained and documented the number of customer orders passed by the ILECs to the Advanced Services affiliates, by state, by month, during the Engagement Period at Attachment A-13. SBC represented that SWBT, Pacific Bell, Nevada Bell and SNET passed all DSL and non-DSL Advanced Services customer orders to ASI during the Engagement Period.

   Inquired of SBC and noted that no customer orders were passed from the ILECs to AADS during the Engagement Period. AADS receives orders for Advanced Services from other non-ILEC affiliates.

5. Obtained and documented, by state, by month, the total number of orders submitted by the Advanced Services affiliates to the ILECs for facilities and/or services needed to provide Advanced Services at Attachment A-14.

Paragraph 178: SBC/Ameritech Merger Conditions - Separate Affiliate for Advanced Services

1. Obtained the methodology used to calculate annual bonuses for officers and management employees of the Advanced Services affiliates during the Engagement Period. Noted that the methodology used was tied to the performance of the Advanced Services affiliates. Obtained the actual calculations used to determine the annual bonuses paid for the year ended December 31, 2001 to all officers and senior managers and a random sample of 25 middle and lower level managers from each Advanced Services affiliate. Noted that the actual bonuses paid were consistent with the methodology provided.

   Documented how the methodology is tied to the performance of the Advanced Services affiliates as follows:

   Noted that the ASI annual bonus program includes both team and individual components. The team component is calculated as the greater of a percentage of base salary, or a minimum annualized award. In 2001, the ASI team award target was determined based on two criteria, **Proprietary**. Individual discretionary adjustments **Proprietary** the amount of the team award and are paid at the discretion of supervisors. The employee must also meet eligibility criteria. In 2001, ASI's individual discretionary adjustments were based on **Proprietary**.

   Noted that the AADS annual bonus program also includes both team and individual components and was offered to officers and management employees. The team component is weighted at **Proprietary** and the individual component is weighted at **Proprietary**. The two components are combined and applied to target percentages established by pay grade and department. In 2001, the AADS team award target was determined based on **Proprietary**.

1. Inquired and documented how many Access Service Requests ("ASRs") were received by each ILEC during the Engagement Period, separately for unaffiliated CLECs and each Advanced Services affiliate, for access to the optical concentration devices ("OCDs") in central offices. In addition, inquired and documented how many ASRs were rejected.

Table 8 below, obtained from SBC, documents how many ASRs were received by each ILEC, separately for unaffiliated CLECs and each Advanced Services affiliate, for access to the OCD in central offices and how many ASRs were rejected:

Table 8

CLECs	*ASIs*		*AADS*		*CLECs*	
ILEC	ASR Orders*	ASR Rejections*	ASR Orders*	ASR Rejections	ASR Orders	ASR Rejections
SWBT	*Proprietary*	*Proprietary*	*Proprietary*	*Proprietary*	-	-
Pacific Bell	*Proprietary*	*Proprietary*	*Proprietary*	*Proprietary*	-	-
Nevada Bell	*Proprietary*	*Proprietary*	*Proprietary*	*Proprietary*	-	-
SNET	*Proprietary*	*Proprietary*	*Proprietary*	*Proprietary*	1	-
Illinois Bell	*Proprietary*	*Proprietary*	*Proprietary*	*Proprietary*	-	-
Indiana Bell	*Proprietary*	*Proprietary*	*Proprietary*	*Proprietary*	-	-
Michigan Bell	*Proprietary*	*Proprietary*	*Proprietary*	*Proprietary*	-	-
Ohio Bell	*Proprietary*	*Proprietary*	*Proprietary*	*Proprietary*	-	-
Wisconsin Bell	*Proprietary*	*Proprietary*	*Proprietary*	*Proprietary*	-	-

2. Inquired and documented how many LSRs were received by each ILEC during the Engagement Period, separately for unaffiliated CLECs and each Advanced Services affiliate, to connect the end users to the broadband network. In addition, inquired and documented how many LSRs were rejected.

Table 9 below, obtained from SBC, documents how many LSRs were received by each ILEC, from each Advanced Services affiliate and from the CLECs, to

connect the end users to the broadband network. In addition, Table 9 lists how many LSRs were rejected.

Table 9

	ADSL		ADSL		CLECs	
ILEC	LSR Orders	LSR Rejections	LSR Orders	LSR Rejections	LSR Orders	LSR Rejections
SWBT	*Proprietary*	*Proprietary*	*Proprietary*	*Proprietary*	-	-
Pacific Bell	*Proprietary*	*Proprietary*	*Proprietary*	*Proprietary*	6	-
Nevada Bell	*Proprietary*	*Proprietary*	*Proprietary*	*Proprietary*	-	-
SNET	*Proprietary*	*Proprietary*	*Proprietary*	*Proprietary*	-	-
Illinois Bell	*Proprietary*	*Proprietary*	*Proprietary*	*Proprietary*	-	-
Indiana Bell	*Proprietary*	*Proprietary*	*Proprietary*	*Proprietary*	-	-
Michigan Bell	*Proprietary*	*Proprietary*	*Proprietary*	*Proprietary*	-	-
Ohio Bell	*Proprietary*	*Proprietary*	*Proprietary*	*Proprietary*	-	-
Wisconsin Bell	*Proprietary*	*Proprietary*	*Proprietary*	*Proprietary*	-	-

3. Inquired and documented that the ILECs were reporting, for all states except Illinois, the performance measurements for the Broadband Offering as required by Attachment A of the *Second Memorandum Opinion and Order*. Noted that SBC has established the performance measurements for the Broadband Offerings for Illinois but none were reported since provisioning of Broadband Service in Illinois was not initiated during the Engagement Period. Noted that these measurements were reported separately for the Advanced Services affiliates, and all other CLECs.

4. For the measures identified in Procedure 3 above, obtained the data reported for the ILECs, the CLECs (aggregated without the affiliates) and the Advanced Services affiliates for each month and for each state. Compared the results and noted that no results failed to demonstrate parity or benchmark performance.

5. Inquired and documented that no CLEC whose customer(s) was previously served by SBC mainframe terminated copper facilities from the central office and subscribing to the broadband service requested to have that customer reconnected to existing central office mainframe terminated copper facilities during the Engagement Period.

Noted that an Accessible Letter announcing the broadband conversion process to an xDSL capable loop was released to the CLEC community on March 7, 2001.

Noted the Accessible Letter stated that the CLEC must validate the address of the end user and submit an LSR requesting conversion. The CLEC must indicate on the LSR that it has received a letter of authorization from the end user to switch service.

6. Inquired and documented an understanding of the provisioning system and Graphical User Interface ("GUI") for use in ordering or provisioning the Broadband Offering as follows:

> The ordering and provisioning process for the Broadband Offering consists of loop qualification, establishing infrastructure elements (ASRs), building a CLEC profile, submitting end-user orders (LSRs) and provisioning the orders through the existing provisioning systems of the ILECs.
>
> *Loop Qualification:* CLECs perform a loop qualification using the customer address as would be done for any other DSL loop.
>
> *Establishing Infrastructure Elements:* The infrastructure necessary for a CLEC to provision DSL service must be in place prior to placing orders for end-user service. An ASR is used to order the OCD port in the central office. The order flow is no different from the one used for ASRs to order unbundled dedicated transport and uses existing systems such as EXACT/CESAR and existing interfaces such as EDI, Verigate, etc. The CLEC is also required to submit a CLEC Information Form ("CLIF") for each OCD port at the same time the ASR is submitted for the port assignment. The CLIF establishes the coordinates to route traffic to the CLEC ATM and can be accessed through a new interface referred to as the Broadband Ordering Profile ("BOP") GUI.
>
> *Building a CLEC Service Profile:* CLECs are allowed to build unique profiles in the SOLID provisioning system for service offerings that consist of combinations of various factors (i.e., upstream and downstream speeds). CLECs, including the Advanced Services affiliates, access the SOLID provisioning system via the BOP GUI interface to create their own DSL transmission profiles. This allows CLECs to establish different speed ADSL services.
>
> *Submitting End-User Orders:* An LSR is used to order the DSL feeder and sub-loop and the ADSL permanent virtual circuit. A CLEC can submit LSRs the same way they are submitted for DSL, and mechanization is available through existing interfaces such as EDI.

Provisioning: LSRs flow through the Service Order Retrieval and Distribution ("SORD") system and are provisioned similar to other orders for UNE loops. Additionally, logical parameters necessary for SOLID provisioning are contained on the LSR. The SOLID system will identify the code set value, read that value off the profile established by the CLEC and then establish the DSL parameters as specified in the profile.

Maintenance: All CLECs and Advanced Services affiliates have access to the Toolbar Trouble Administration ("TBTA") application for entering trouble tickets on the High Frequency Portion of the SubLoop ("HFPSL") or Data Only loop. Trouble tickets entered in TBTA flow through to the ILEC's Loop Maintenance Operations System ("LMOS") for processing by the ILEC at the LOC. The LOC utilizes SWITCH and SOLID for processing trouble tickets. CLECs and Advanced Services affiliates do not have access to LMOS, SWITCH and SOLID.

7. Inquired and documented that SBC employs a full-service support team that provides 13-state support functions to CLECs utilizing OSS. The OSS Customer Support ("OSSCS") teams provided "live" demonstrations of its electronic interfaces to regulators and all interested CLECs. CLECs can ask OSS questions of their account managers, the Information System Call Center ("ISCC") and the Mechanized Customer Production Support Center ("MCPSC"). The CLEC's Account Manager notifies the OSSCS manager assigned to that CLEC to meet with and discuss its business plans and recommend the best OSS to support the CLEC's business needs.

After a CLEC is in production, day-to-day questions regarding business rules are referred to the MCPSC. The MCPSC assists the CLECs in analyzing error codes and resolving issues pertaining to process flows. SBC estimated that the MCPSC received approximately 10,000 calls per month during the Engagement Period. The ISCC also provides OSS technical support to CLECs within SBC's 13 states. SBC represented that the ISCC received approximately 4,000 to 6,000 requests for assistance per month during the Engagement Period.

Throughout the Engagement Period, SBC held classes on Business EASE, Consumer EASE, Electronic ASR, Enhanced Verigate, LEX & DL, LEX-Resale, LEX-UNE, LEX (Web), PBSM Trouble, SORD1, SORD2, SORD3, Toolbar, Complex Order Negotiation, Electronic Forms, WCIWin Toolbar and WSNAP. The following table lists the starting dates for OSS classes held during the Engagement Period:

Table 10

Month	**Date**
January 2001	5, 8, 12, 16, 18, 19, 23, 26, 29
February 2001	5, 6, 9, 13, 15, 16, 20, 23
March 2001	1, 7, 15, 16, 19, 20, 21, 22, 26, 27, 28, 29, 30
April 2001	2, 3, 9, 10, 11, 12, 20, 23, 24, 25, 30
May 2001	3, 10, 11, 16, 17, 18, 21, 23, 24, 30, 31
June 2001	1, 4, 5, 8, 13, 18, 22, 25, 26, 28
July 2001	9, 10, 20, 23, 24, 25, 26, 30, 31
August 2001	10, 13, 17, 20, 21, 27, 28, 29, 30
September 2001	6, 14, 18, 19, 25, 26, 27
October 2001	5, 17, 19, 22, 24, 29, 31
November 2001	8, 9, 14, 27, 28
December 2001	10, 12, 13, 14, 18

8. Inquired and documented that no performance measurements for the Combined Voice/Data Offering were reported during the Engagement Period. SBC represented that no performance measurements were reported because there were no Combined Voice/Data services provided to the Advanced Services affiliates or unaffiliated CLECs during the Engagement Period.

9. Since no Combined Voice/Data performance measurements were reported, no comparisons could be performed.

10. Inquired and documented that no CLEC whose customer(s) was previously served by SBC mainframe terminated copper facilities from the central office and subscribing to the Combined Voice/Data service requested to be converted from Combined Voice/Data services to an all copper loop during the Engagement Period. Through the end of the Engagement Period, SBC had not provided the Combined Voice/Data Offering service to any customer.

Noted that an Accessible Letter announcing the Combined Voice/Data conversion process to an xDSL capable loop was released to the CLEC community on March

7, 2001. Noted the Accessible Letter stated that the CLEC must validate the address of the end user and submit an LSR requesting conversion. The CLEC must indicate on the LSR that it has received a letter of authorization from the end user to switch service.

11. Inquired and documented that the interfaces, processes and procedures for preordering, ordering and provisioning the Combined Voice/Data Offering are consistent with the interfaces, processes and procedures as documented in Procedure 6 above relating to the Broadband Offering. The only exception noted is that the CLEC is provided an additional voice path terminated on the CLEC's collocation space.

12. For each SBC ILEC that has deployed Next Generation Digital Loop Carrier ("NGDLC") architecture that supports both POTS and xDSL services, obtained a list of remote terminal locations that included the type of NGDLC architecture equipment installed at each remote terminal locations. Noted that the listing included only the following equipment types: Litespan 2000, Litespan 2016 and UMB1000. For these equipment types and for each OCD used to connect this equipment, obtained the manufacturer's description received by the ILEC upon purchase of the equipment. Determined that the ILEC had posted on its web site at https://clec.sbc.com a link to the manufacturer's web site which provides the description of the NGDLC software and hardware release specifications. Compared and noted no differences between the postings and the documents received upon purchase. Noted that the web site posting included the specific manufacturer web site locations where such equipment features are available and the date of the posting.

13. Inquired and documented that each ILEC makes available all technically feasible Advanced Services features, functions and capabilities of equipment installed in remote terminals in the Broadband Service Ordering Guidelines and Accessible Letters, located on the CLEC web site at https://clec.sbc.com. In addition, the Broadband Service Stand-Alone Agreement, generic pricing appendix, provides the available service elements and is also located on the CLEC web site. For the equipment selected in Procedure 12 above, documented the following UNEs, services, tariff elements, etc., that are made available for each type of equipment:

- Subloops
- Data Link Escape ("DLE") – Generic Digital Subscriber Line xDSL, HFPSL
- DLE – Generic Digital Subscriber Line xDSL, Subloop data only

- Combined Voice and Data Loop
- DLE – Permanent Virtual Circuit
- OCD Port Terminations
- Cross Connects
  - DLE-SAI Cross-Connect
  - OCD Cross-Connect to Collocation
- ADSL Undefined Bite Rate ("UBR") Quality of Service
- OCD Port Sharing

These service elements are included in the CLEC handbook located on the CLEC web site. SBC has represented that it has only received one request from the CLECs or Advanced Services Affiliates for these features, functions and capabilities during the Engagement Period. The request was made by ASI on June 27, 2001 for a feature and/or functionality that was not covered by the BBS agreement. The request was submitted via the Special Request Process. After SBC performed a technical evaluation of the request, it was determined to be technically feasible and was approved.

14. On August 30, 2002 the FCC Staff issued a letter extending the due date from September 3, 2002 to October 18, 2002 for completing one procedure related to the reporting of any exceptions noted in the testing of the collocation-related requirements of the Pronto Order. A separate supplemental report will be issued upon completion of this procedure.

15. Inquired and documented that a Special Construction Arrangement ("SCA") is used when a CLEC wishes to construct a sub-loop access arrangement or Engineering Controlled Splice ("ECS") for the purpose of obtaining sub-loops. An application is posted in the CLEC handbook located on the CLEC web site at https://clec.sbc.com along with instructions. The instructions can be found under CLEC Handbook, Products and Services, UNE, Sub-loop (UNE).

Inquired and documented that the CLECs were notified by Accessible Letters on September 15, 2000 that the SCA process was made available effective September 15, 2000. The Accessible Letters were available on the CLEC web site at https://clec.sbc.com.

Inquired and documented that one unaffiliated CLEC filed an SCA request during the Engagement Period. The CLEC cancelled the SCA request on October 18, 2001 due to their abandonment of the project requiring the ECS.

16. Inquired and documented that the Advanced Services affiliates did not file any SCA requests during the Engagement Period. Inquired and documented that the Advanced Services affiliates did not use any SCAs during the Engagement Period.

17. Inquired and documented that the ILECs did not receive any SCAs from the Advanced Services affiliates during the Engagement Period.

18. Inquired and documented that none of the ILECs established connectivity to their networks with an ECS. ECS is an architectural design in the outside plant portion of the network. The intent of the ECS is to provide an access point where CLEC services, routed from their equipment via a copper cable, can gain access to multiple Serving Area Interfaces served from a specific RT. The ECS will be placed inside the RT structure when space allows. If no space is available, SBC will construct a new adjacent cabinet, at CLEC's expense, on SBC easement (or easement owned by others) for the purpose of providing an ECS. The availability of space in either existing, expanded or adjacent cabinet structures at RT locations is subject to the availability and requirements of private easements and/or public right-of-way obligations.

    There was one ECS requested by an unaffiliated CLEC during the Engagement Period. This ECS request was cancelled by the CLEC prior to approval. Inquired and documented that the Advanced Services affiliates and CLECs did not use ECS arrangements during the Engagement Period.

19. For each ILEC, obtained the balances of the Plant in Service general ledger accounts containing metallic wire and cable assets that included copper pair investment as of December 31, 2001. Also obtained a summary schedule of additions and retirements for each account and agreed this summary schedule to the general ledger balances obtained above. Obtained a detail of the ILECs' copper pair retirements by account for the Engagement Period and agreed the totals of the retirement detail to the summary schedule of retirements obtained above. No differences were noted in the reconciliation of SNET's and Ameritech's retirement details. Noted the following differences between the retirement detail and the summary schedule for SWBT, Pacific Bell and Nevada Bell.

    - SWBT's summary schedule of retirements was $103,158 less than the detail listing of retirements that totaled $73,036,665.
    - Pacific Bell's summary schedule of retirements was $274,021 more than the detail listing of retirements that totaled $48,194,978.

- Nevada Bell's summary schedule of retirements was approximately $1,000 more than the detail listing of retirements that totaled $2,650,069.

Selected a random sample of 100 copper pair retirements from the lists of retirements obtained above. For each retirement selected, inquired and documented the following reasons for retirement:

- 61 retirements were due to replacement of existing copper pair investment. Four of the 61 replacement retirements were for mainframe terminated copper facilities.
- 23 retirements were due to relocation of existing copper pair investment.
- Ten retirements were due to maintenance on existing copper pair investment.
- Six retirements retired existing non-mainframe copper pair investment.

Inquired and noted that 96 of the 100 retirements selected and listed above were not for mainframe terminated copper facilities.

20. Obtained and documented the policies and procedures of the ILECs with respect to the general decision-making criteria for retiring copper plant. SBC represented that they continue to follow existing company policies when retiring copper cables that do not meet the acceptable levels of service, cannot be economically maintained, or must be removed to provide relief to structure blockage based on an economic analysis. Documented the following existing copper retirement policy:

> No consideration or plans will be made to retire terminated copper cable between the central office main distributing frame ("MDF") and the end user when overlaid with a fiber network for voice services and Advanced Services associated with Project Pronto. SBC will not give weight to whether the local service carrier using the copper (or wishing to use the copper) is affiliated or unaffiliated with SBC. Every effort will be made to maintain a copper presence to distribution areas that exist. SBC will consider the following factors before retiring a terminated copper facility between the central office and the end user:

- **Service Reliability:** if the cost to maintain the copper facility for an acceptable level of service is greater than the cost to replace it with fiber and associated electronics.
- **Underutilization**: if the cost to maintain an underutilized feeder cable is greater than replacing it with fiber and associated electronics.
- **Structure Relief:** if the cost to reinforce a conduit run is greater than deploying fiber and associated electronics to roll customers out of the existing copper cable for removal.
- **Civic Requirements:** if the cost to relocate an existing feeder cable is greater than deploying fiber and associated electronics due to public requirements/road widening jobs.
- **Acts of God:** if the cost to replace feeder cable is greater than deploying fiber and associated electronics due to catastrophic failure (floods, hurricanes, tornadoes, etc.).

In the event that a copper cable facility is going to be removed from service in the MDF in the central office due to service reliability and/or underutilization, SBC will provide a six-month notice, via Internet web site, to CLECs within the SBC service area of SBC's intent to retire and remove from service the terminated copper cable.

In the event that a copper cable facility is going to be retired from service in the MDF in the central office due to civic requirements, structure relief or acts of God and the retired facility remains partially intact toward the central office and, therefore, could be reused by a CLEC, the facilities will be left in place and offered for sale. SBC will provide a six-month notice, via Internet web site, to CLECs within the SBC service area of the sale and SBC's intent to retire and remove from service the terminated copper cable.

21. Obtained and documented the policies and procedures of the ILECs with respect to notifying CLECs of its intent to retire any copper plant. In the event that a copper cable facility is going to be removed from service and the MDF in the central office as described in Procedure 20 above, SBC will provide a six-month notice, via Internet web site, to CLECs within the SBC service area of SBC's intent to retire and remove from service terminated copper cable.

The OSP Planner is responsible for completing the Notice of Retirement of Copper Cable on Central Office Main Frame (Attachment S of the Pronto

Guidelines), and forwarding it to the personnel responsible for posting the notice on the web site at least six months prior to the retirement. Determined that SBC's policies and procedures for copper plant retirements provide for notification to CLECs at least 180 days before retirement.

22. Accessed SBC's web site at https://clec.sbc.com and noted no "intent to retire" notices posted as of the end of the Engagement Period.

23. Obtained and documented the following ILEC policies and procedures for making available to CLECs the opportunity to buy copper plant marked for retirement.

> In the event that a copper cable facility is going to be removed from service and the MDF in the central office due to service reliability and/or underutilization, SBC will provide a six-month notice, via Internet web site, to CLECs within the SBC service area of SBC's intent to retire and remove from service the terminated copper cable.
>
> In the event that a copper cable facility is going to be retired from service in the MDF in the central office due to civic requirements, structure relief or acts of God and the retired facility remains partially intact toward the central office and, therefore, could be reused by a CLEC, the facilities will be left in place and offered for sale. SBC will provide a six-month notice, via Internet web site, to CLECs within the SBC service area of the sale and SBC's intent to retire and remove from service the terminated copper cable.
>
> The CLEC must notify their SBC Account Manager within three months (date posted on form) of their intent to purchase the proposed copper cable. The Account Manager will notify the OSP Planner or preparer name posted on the retirement form of the CLEC's intent to purchase the cable.

- Upon notification from SBC's Account Manager that a CLEC is interested in the purchase of the cable to be retired, the OSP Planner has 30 days to fill out Attachment T that lists all cable offered for sale by type, size, gauge, length, account code and mortality date. This attachment will then be forwarded to the Cost and Evaluations Group for obtaining NBV. The cable will be offered for sale at the higher of the net book value of such facilities as determined by Part 32 of the FCC's Rules or a competitive bid if more than one carrier is interested in acquiring the facilities. The Cost and Evaluations Group will forward the form back to the OSP Planner, who will then forward it to the Account Manager. The Account Manager will be responsible for handling competitive bids if more than one CLEC is interested in the copper cable being offered.

SBC represented that no mainframe terminated copper retirements that occurred during the Engagement Period were for service reliability and/or underutilization; therefore no official opportunities were made to CLECs for the purchase of copper cable marked for retirement during the Engagement Period.

Inquired and documented that no changes were made since the last Engagement Period to SBC's process and related decision-making criteria for a single carrier to request deployment of a desired service/functionality over NGDLC equipment. ASI submitted a special request application on June 27, 2001 requesting a product that was not offered in the BBS agreement. SBC conducted a technical evaluation of the request and determined it was technically feasible to provide. The product requested will be made available during the second quarter of 2002.

Paragraph 65 - SBC/Ameritech Merger Conditions – Separate affiliate for Advanced Services

1. Obtained from management a list of any matters reported by SBC as exceptions to compliance in SBC's March 15, 2002 annual compliance report with respect to Condition 1 of the Merger Conditions dated July 12, 2002.

2. Obtained from management a list dated July 12, 2002 of any matters reported by SBC as exceptions to compliance either reported to the practitioner during the Engagement Period and appearing in this report, or reported and disclosed in management's representation letters.

3. Compared the lists obtained in Procedures 1 and 2 above and documented in Table 11 below matters listed on one list that do not appear on the other list. Inquired of management and documented that the reasons for the differences were that these matters were discovered after the March 15, 2002 annual compliance report was filed.

Table 11

Matters Per List Obtained in Procedure 1	**Matters Per List Obtained in Procedure 2**
SBC disclosed that six ASI work locations in ILEC-owned premises were not covered by affiliate agreements.	SBC indicated that subsequent to the March 15, 2002 report date they determined that a total of 11 ASI work locations required addition to the affiliate billing agreements.
SBC disclosed that customer account transfers from Nevada Bell, Pacific Bell and SWBT to ASI were restated during the Engagement Period and that SBC was in process of reassessing the transaction for potential subsequent adjusting entries.	SBC indicated that subsequent to the filing of the annual compliance report, SBC determined that the accounting requirement for recording customer transfers was no longer applicable and previous entries were reversed.

Matters Per List Obtained in Procedure 1	**Matters Per List Obtained in Procedure 2**
SBC disclosed that certain billings for services provided between the ILECs and the Advanced Services affiliates required adjustment with respect to quantities, rates or cost determination.	SBC disclosed that as a result of a routine SBC review of affiliate transactions performed subsequent to the March 15, 2002 report date, certain limited collection activities were identified that were not provisioned with a written agreement and appropriately billed by SWBT and Illinois Bell to the Advanced Services affiliates. SBC represented that SWBT and Illinois Bell will apply retroactive billing upon completion of appropriate affiliate agreements.
SBC disclosed that a few affiliate transactions or updates to existing affiliate agreements were not posted to the Internet within the 10-day requirement.	SBC disclosed that a small number of documents related to affiliate transactions were never posted to the Internet. SBC also disclosed that a small number of documents were not included in the affiliate agreements made available for public inspection at the ILECs' principal place of business.
Matter not listed.	SBC represented that nominal amounts were recorded in Advanced Services revenue accounts of Ameritech, Nevada Bell, Pacific Bell and SWBT during the Engagement Period. Activity in these accounts was attributed to ordering and/or data processing errors, combined with the residual effect of a few embedded-base ILEC customer accounts that were overlooked in the 2000 transition period.